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SUBJECT: SECRETARY SLATER DISCUSSES TRANSPORTATION ISSUES
WITH DUTCH GOVERNMENT AND INDUSTRY

Summary

1. Secretary of Transportation Rodney Slater visited the Netherlands May 31 and June 1 to discuss transportation issues with Dutch government and private sector officials. Although front-burner issues such as hushkits were mentioned, most of the conversations were broader, touching on the future of the airline industry, road safety, shipping regulation, and areas for future U.S.-Dutch cooperation. Dutch Minister of Transportation Netelenbos sought U.S. support for strengthening ICAO and for cooperation on promoting international, rather than regional, rules for regulation of shipping safety. Secretary Slater described DOT's efforts to consider the future of transportation -- looking twenty-five years ahead -- and encouraged the Dutch government and key private sector representatives (e.g., of KLM and the Port of Rotterdam) to send representatives to DOT's October 2000 conference in Washington. End summary.

2. Secretary Slater was accompanied during his visit to the Netherlands by the following DOT officials: Deputy Chief of Staff Norma Krayem, Deputy Assistant Secretary for Aviation and International Affairs Bradley Mims, Office of International Transportation Director Bernestine Allen, Assistant to the Secretary for Public Affairs Mary Trupo, and Director for Scheduling and Advance Natalie Hartman.

Dutch Government Views

3. During a June 1 meeting with Minister Netelenbos and ministry officials, the Dutch government representatives made the following key points:

-- The government of the Netherlands remains concerned with implementation of the Hatch amendment.

-- "Civil servants will have to work hard" to shepherd the hushkit issue through the ICAO dispute settlement procedure. It is good that the issue is being handled through appropriate means. More generally, ICAO needs to be strengthened by speeding up its procedures and through an input of political muscle. It is too much "an organization of civil servants."

-- The Dutch are interested in reports of a possible United Airlines/U.S. Air merger, and, indeed, in the future general direction of airline mergers. "We want competition, but understand that it is a tough industry for individual airlines to survive in." The Dutch government is not privy to KLM's thinking, but understands that KLM has been approached by Portuguese, Greek, and Central European airlines interested in discussing merger opportunities. (Comment. Recent media reports indicate the possibility of a KLM/British Airways merger. End comment.) The Dutch would be interested in learning of USG views on means of ensuring an appropriate level of competition among airlines.

-- Minister Netelenbos supports privatization of air traffic control, in part because she believes ministry management of air traffic control experts makes little sense. However, privatized control seeks to maintain a share of control, while what is needed in Europe is consolidation. One alternative is for the government to grant a concession to a private air traffic controller, with the understanding that the concession could be withdrawn if performance was inadequate. Eurocontrol should take over management of high altitude flights over Europe, but the militaries and the French government resist this idea.

-- The Dutch government is concerned that the French government's enthusiasm for new shipping safety regulations, in the wake of the sinking of the tanker Erika off the coast

of Brittany, is leading to proposed regulations that have not been adequately considered. Funding of enforcement, shipbuilding capacity, and effects on shipping prices need study. Moreover, because the proposals are unlikely to achieve world-wide acceptance, their imposition on a European regional basis would drive substandard vessels towards Asia -- something Japan would resist. It would be better for the U.S., EU, and Japan to consider common rules. (In an aside, Netelenbos wished the French would begin by enforcing existing regulations. She also noted that the Netherlands had offered voluntarily to remove the still-leaking Erika from the sea bed, an offer the French turned down.)

-- Contrary to the Kyoto Protocol, CO2 is not diminishing but increasing, and industry must conform to CO2 reductions. Government and industry must address the negative impact of road and air traffic growth.

14. Secretary Slater said that the U.S. and the Netherlands have similar interests in ensuring air safety and noise reduction. That should make solutions to outstanding issues possible. It is necessary to get the hushkits dispute out of the way so we can move forward on the more important Stage IV noise level discussions. The Secretary said that he could not yet comment on the possible merger between U.S. airlines because the facts are still forthcoming. He noted that DOT is undertaking a long-term study of transportation needs and welcomes international comments and involvement.

Dutch Industry Views

15. The Secretary met on May 31 with leading Dutch private sector representatives at a meeting organized by the VNO-NCW (Dutch industry federation). Following were the main discussion points:

-- Schiphol airport, Europe's fourth busiest, needs to grow in order to afford investments required to remain competitive. The overall approach is to apply an overall "noise budget" to Schiphol, within which it must optimize its traffic. Schiphol would like to establish freight service to and from Atlanta to become an even greater gateway for U.S.-EU trade. (Mr. Verboom, Schiphol Airport)

-- Container cargo is rapidly increasing. The Port of Rotterdam, already the world's largest, expects to increase the number of containers it handles from the current 6 million a year to 12 million a year over the next twelve years. Cargo handling is becoming a high technology industry and calls out for standardization of new technologies between the U.S. and EU. (J.M. Dekkers, Europe Combined Terminals BV)

-- There is concern in Europe that the U.S. is moving towards a new 47-foot container standard, in addition to the current 20 and 40-foot containers. This would complicate transatlantic cargo movement. The U.S. and EU should consider common standard container sizes. (Th. W. Aris, Transport Management International)

-- The Dutch have begun a radical rethinking of highway safety, introducing the concept of "sustainable safety," and would appreciate communication with U.S. experts in the field. The current annual highway death toll in the Netherlands is 1,000 per year. The goal should be to reduce it by a factor of ten. (F.C.M. Wegman, Dutch Institute for Road Safety)

16. Secretary Slater told the private sector gathering that the Administration has taken a strong position that transportation is a policy area that requires close government-private sector partnership. It is also a policy area that requires long-term and forward-looking examination. DOT has therefore initiated a policy of looking towards the transportation needs of 2025 in close conjunction with industry. Globalization is a fact and transportation an integral part of it. DOT welcomes contact with European governments and the private sector and looks forward to their participation in a major conference that DOT will host in Washington in October.

P.S. The Ubiquitous Dutch Bicycle

17. No discussion of transportation in the Netherlands is

complete without mention of the bicycle. Dutch officials, including Minister Netelenbos and Ton Welleman, Project Manager of the Dutch Bicycle Master Plan for the Transport Ministry, were skeptical that the Dutch experience has much to offer to the U.S., but were pleased that the bicycle remains center stage in the Netherlands, with 6 million bicycles used for 30 percent of all travel within the country. The current problem for the Netherlands is the 600,000 bicycle thefts which occur annually, a problem the Ministry is considering addressing by inserting computer chips into bicycles. Both Minister Netelenbos and Ton Welleman, to the surprise of the U.S. delegation, were adamant that mandatory helmet laws even for children made no sense for the Netherlands. Accident rates are low, the Dutch are good bicyclists, and (more to the point) no government could propose such a measure because it would be universally condemned and ignored. Secretary Slater replied that the U.S., and particularly individual cities, are more enthusiastic about increasing bicycle use than the Dutch might think.

FENDRICK